

### III

#### COALITIONS AND **COMPROMISES**

Alice Rivlin said it best. If Congress continued business as usual, it would either develop an enormous backlog of projects or end up funding projects despite large federal deficits. If, on the other hand, the nonfederal share of water project costs were increased, eventually leading to more cost-effective investments (the so-called "market test" principle), significant financial burdens would be placed on the less financially sound states. She pointed out that while the states' capability to finance projects had increased in recent years, often the additional revenue came from income and sales taxes rather than from "relatively static sources, such as property and excise taxes." That meant that receipts were tied closely to economic performance. A recession could mean real trouble. Nevertheless, she continued to advocate a greater nonfederal share in the cost of water projects. To ease the burden, Rivlin thought that a gradual, phased increase of nonfederal costs should be considered.'

What Congress sought was a new relationship with the states that would shift the economic burden. What it could not give to the states was commensurate project management because in the end the management of construction schedules and the development of priorities depended on regional and national economic health.

Without a reliable source of income, nonfederal interests could not build regardless of their needs or the level of federal involvement. Hence, the amount of oil pumped in Louisiana or the number of cars produced in Detroit influenced public works activities more than all the spreadsheets in the country.

As Rivlin pointed out, various interest groups also would have trouble shouldering additional financial burdens. These included farmers and agricultural users, ports and harbors, navigation companies, hydroelectric power recipients, and water-based recreation beneficiaries. In 1981-1983, many of the single-interest groups mobilized to fight increased nonfederal funding. They organized ad hoc groups that at first resolutely, and unrealistically, opposed any changes in cost-sharing. Umbrella organizations such as the Water Resources Congress lost members to these single-issue groups.\* Only gradually did these new advocacy organizations acknowledge that total resistance was futile if needed projects were to be built.

The Interstate Conference on Water Problems (ICWP), an organization composed primarily of state water offices, reflected the slow and painful acceptance of greater cost sharing. In 1982, Joan Kovalic, Executive Director and General Counsel of the ICWP, saw little evidence of compromise among its members. She attempted to convince them that their position was self-defeating: ". . . you can't stand in front of a train and jump up and down while it runs you over. You can step over to the side of the track and wave as it goes by, or you can jump on the train and see if you can get

your hands on one of the controls and have something to say about where the damn thing goes."<sup>3</sup> Despite heavy criticism, Kovalic proposed and subsequently held a cost-sharing seminar for members in which she attempted to convince participants to talk with Congress, the Corps of Engineers, and others. She also advised members to seek financing from the private sector. "Why don't we start talking to people who play with money for a living?" she inquired.<sup>4</sup> Much of her success depended on working closely with individual members to find a cost-sharing compromise to break the legislative logjam. Gradually, members changed their attitudes.<sup>5</sup>

While nonfederal interests had to accept cost sharing, the administration worked to devise a formula that recognized local and state financial constraints. The Office of Management and Budget considered numerous formulas, and rumors were rife.<sup>6</sup> Secretary Gianelli attempted to work through the Cabinet Council on Natural Resources and the Environment, whose purpose was to coordinate environmental policy in the various executive departments. However, Gianelli was stymied by James Watt, who chaired the council. Unlike Gianelli, who sought uniform formulas according to project purposes, Watt wished to determine cost sharing on a case-by-case basis, the approach traditionally used by Interior's Bureau of Reclamation and the one favored by western states.<sup>7</sup>

Gianelli had formed a working group of assistant secretaries from selected executive agencies. These representatives sorted out cost-sharing ideas and presented recommendations to the full Cabinet Council. In the summer of 1982, the Cabinet Council had

approved the recommendations for 100 percent cost sharing for hydropower and water-supply projects--which was essentially the current policy and law--and no less than 35 percent for flood control and reclamation (agricultural water). However, Watt continued to oppose this uniform approach. He leaked the recommendations, successfully generating opposition to them, but refused to send them to the President for final approval. In January 1983, the Cabinet Council decided to solicit public comment before sending the recommendations to the White House. A notice was put in the Federal Register and Secretary Watt wrote all the state governors.<sup>8</sup> Subsequently, Gianelli's working group discussed the public comments, and Gianelli recommended that the Cabinet Council affirm the earlier recommendations. In April, he finally obtained administration (OMB) endorsement for these proposals so far as regarded the Corps of Engineers. The chairman of the Senate Environment and Public Works Committee, Senator Robert T. Stafford of Vermont, introduced the necessary legislation (S. 1031) on the administration's behalf.' In June 1983, 'Secretary Watt finally sent the Cabinet Council proposals to the President with the recommendation that they be publicized as interim policy pending discussions with Congress.<sup>10</sup> Supported by the Department of Interior, the Army Corps of Engineers, and OMB, the recommendation essentially bought more time until agreement could be reached with Congress.

Controversy continued in both the legislative and executive branches. Although the Department of Interior officially supported

the use of the new cost-sharing proposals as interim guidance, it was not enthusiastic. Its Bureau of Reclamation remained opposed to the cost-sharing formula regarding agricultural water, causing ongoing dissension within the administration.<sup>11</sup> On 27 April, Senator Paul Laxalt of Nevada, joined by 14 other western Republican senators, had written the President to object to up-front cost sharing on an across-the-board basis. The group concluded that "we have nothing to gain politically or fiscally from moving on the issue of cost-sharing at this time."<sup>12</sup> Within the Cabinet Council, Laxalt was of course supported by Watt and also by White House counselor Edwin Meese III, both advocates of the case-by-case approach. Most of the rest of the Cabinet Council supported Gianelli's position.

Laxalt's letter precipitated further correspondence on the subject of cost sharing. Senator Abdnor agreed that nothing would be gained by pushing for arbitrary cost-sharing percentages. However, additional nonfederal revenue was necessary. Abdnor's concern was how to get the funding without penalizing those nonfederal interests who clearly could not afford to pay. Gianelli clarified a point that Laxalt had raised about "up-front financing." The Secretary pointed out that the administration's position was not that states be required to pay a percentage of costs prior to construction, but that states and other project beneficiaries agree to pay costs during the time of construction.<sup>13</sup> In response to Senator Abnor's concern, the administration formulated a position that only flood control, rural

drainage, and agricultural water-supply projects merited consideration of ability to pay.<sup>14</sup>

The Office of Management and Budget faced the task of drafting a response for President Reagan to send to Senator Laxalt. The assignment generated intense discussion over the following months. Eventually, OMB personnel crafted a letter that allowed the various sides to claim victory. Toward the end of January 1984, the letter reached Laxalt. In it, the President emphasized that each federal water agency "will negotiate reasonable financing arrangements for every project within its respective area of responsibility." States, the President maintained, have the primary responsibility for water resources development and management, but prior federal commitments "must be considered and shall be a factor in negotiations leading up to project construction." Reagan noted that cost sharing, including planning costs, must be negotiated but that "project beneficiaries, not necessarily governmental entities, should ultimately bear a substantial part of the cost". The letter also called for consistency in cost sharing for individual project purposes.<sup>15</sup> Thus, while the administration embraced state primacy in water resources development and sought additional cost sharing applied uniformly according to project purposes, it did not disavow previous federal commitments or the case-by-case approach of the Bureau of Reclamation. Although the letter could be interpreted as a victory for the Department of Interior, others preferred to emphasize the President's support of uniform cost sharing and thought the outcome was a victory for Gianelli.<sup>16</sup>

While the administration focused on cost sharing, congressmen continued to submit authorization bills for rivers and harbors projects. A number were dropped into the hopper in the winter and spring of 1983. On 24 March, Senator Abdnor introduced S. 947 to authorize 101 water projects, but also to put a ceiling on Corps of Engineers construction activities for the next five years. Noticeably absent was any mention of cost sharing. Frustrated by the impasse, Abdnor wanted to establish a two-track system leading to an omnibus water resources act. By separating funding policy from project authorization, he could hold hearings on projects without being distracted by the continuing cost-sharing stalemate.

While Abdnor concentrated on projects, other senators from seacoast states sought to break the impasse on funding deep-draft harbor improvements. On 21 March 1983, several of these senators introduced S. 865, the Deep-Draft Navigation Act of 1983. The principal architect was Senator Hatfield, who was concerned about improvements on the lower Columbia River. He received strong support from Senators John Warner of Virginia, Mack Mattingly of Georgia, and Strom Thurmond of South Carolina. For several months, Hatfield's staff, principally his legislative aid Jeff Arnold, had been working with other senators' staffs to devise an ad valorem deep-draft port recovery bill. In an effort to develop a compromise acceptable to both the administration and port authorities, Arnold also worked very closely with OMB staff and with AAPA personnel. Shipping industry representatives and primary users of deep-draft vessels were also involved. The intense

discussions took many hours, and the bill went through 14 drafts. While no one was completely satisfied with the final version, it did resolve many issues.<sup>17</sup> In fact, Stockman wrote Senators Hatfield and Warner that the final bill appeared "to be a workable compromise, recognizing our policies of Federal fiscal constraints, while at the same time providing the assurance of port maintenance and a framework for authorizing navigation improvements."<sup>18</sup>

The budget director, however, was not entirely happy. He proposed raising cost recovery for federal operations and maintenance work far in excess of the bill's 40 percent level. These costs would be recovered from customs revenues. Stockman also wished to raise the nonfederal share of new construction costs.<sup>19</sup> He stated these reservations in language that was to lead to future misunderstanding and friction between him and Senator Hatfield. "While we agree with the overall thrust and the concepts in your legislation," Stockman wrote, "we do suggest certain changes." Later, the director was to emphasize his suggested changes, causing Hatfield and Warner to claim that he reneged on the compromise.<sup>20</sup> Working with OMB was in fact a gamble, for even OMB support did not guarantee administration approval. Secretary Gianelli remained in favor of a flat cargo tonnage fee--a simpler concept but one opposed by bulk cargo carriers--while the Treasury Department doubted that it could collect ad valorem taxes because of the difficulty of identifying kinds and amounts of domestic and export cargos on outbound ships.<sup>21</sup>



In terms of both legislative history and the actual content of the bill, the evolution of S. 865 is worth analyzing. Hatfield and the other senators were more interested in recovering the costs for maintaining and operating current port facilities than in devising a cost-sharing formula to finance new construction. Part of the reason for this was tactical. Cost sharing for new construction was controversial and involved entrenched and powerful interests. Establishing a consensus on the subject would take much time and effort. Moreover, there was concern that without necessary dredging a number of ports would not be able to remain competitive in the world market.

Establishing a consensus on cost recovery proved difficult. It entailed pitting the small ports--over 150 of them around the country--against the big ports that handled most of the international traffic. The conflict broke the ranks of the AAPA, which opposed any effort to establish fees. The big ports objected to a uniform fee system that would essentially subsidize small ports. They proposed that cost recovery be based on the actual costs incurred in each port. However, Senate staff members eventually persuaded the big ports that a uniform ad valorem fee was better than any alternative then being considered. Other concerns were alleviated when staff personnel pointed out that cost recovery would cost the ports nothing: shippers would pay the fees. Fears that fees would result in increased use of Canadian or Mexican ports in lieu of American ports were shown to be groundless

because of the prohibitive cost of transporting the cargo overland into the united States.<sup>22</sup>

While a number of constituencies were involved, the Senate Environment and Public Works Committee hardly played any role in hammering out S. 865. The Committee staff was purposely excluded because of the opposition of Hal Brayman. One of the most experienced committee staff members in the area of water resources, Brayman had been instrumental in developing Senator Domenici's user fee legislation. However, he opposed the ad valorem cost-recovery bill because he thought it unworkable. He also could have been uneasy about a bill being hatched by a number of young staff members who collectively may not have known as much about water resources as he did.<sup>23</sup>

In a sense, Brayman's intuition was right. When Senator Hatfield introduced S. 865, no one showed enthusiasm. In Arnold's words, "Nobody saluted. Absolutely nobody! Not only did no one in the Senate salute, but when we sent it down for some informal comments to the Administration, everybody and their brother thought we were lunatics. It would never work, could never happen."<sup>24</sup> The bill finally did end up in the Senate Environment and Public Works Committee, where it languished. Senator Abdnor did not oppose it outright, but he was preoccupied with his own Water resources legislation and most of the staff members followed suit.<sup>25</sup>

While S. 865 never reached the floor of Congress, in mid-June 1983 Abdnor finally held hearings on deep-draft port development.

His subcommittee heard testimony on S. 865, but it also looked at a new deep-draft port bill, S. 970, sponsored by Senators Moynihan and Stafford. The two bills were substantially different. Hatfield's bill opted for financing 40 percent of operation and maintenance costs through ad valorem fees. Moynihan and Stafford preferred a flat fee based on cargo tonnage, with some 50 percent of O&M costs recovered in this way. The Moynihan-Stafford version was more in tune with Gianelli's thinking, but it continued to be opposed by shippers.<sup>26</sup>

The hearing did nothing to change Abdnor's mind. Clearly, the complex port user-fee legislation issue would have to be considered separately from project authorizing legislation. On 2 August, Abdnor introduced a revised version of S. 947. Unlike the earlier version, this new draft (S. 1739) did not address deep-draft ports since that subject was to be introduced in separate legislation. On the other hand, the new bill did tackle cost-sharing, containing provisions that came close to what Gianelli wanted, including a minimum 35 percent nonfederal share for flood control. The new initiative also would authorize the establishment of a 21-member Inland Waterways Users Board, composed of users and shippers chosen by the Secretary of the Army, to advise the Secretary on spending levels for inland waterways. Another section provided for a ten member Federal Dam Safety Review Board, composed of nonfederal and federal experts, to review procedures and standards and to monitor state dam programs. Retaining an approach introduced in S. 947, Abdnor's draft legislation limited construction expenditures for

the coming five years, with some minor adjustments of the spending caps.

In the late summer and early fall, the Senate Subcommittee on Water Resources rewrote and added to the Abdnor bill. Part of this effort was in response to legislation being considered in Congressman Roe's House Subcommittee on Water Resources, which encompassed a far broader program and more generously dispensed federal dollars. The rewritten Senate legislation, approved 14-2 by the full Environment and Public Works Committee on 7 November, included several significant new titles.<sup>27</sup> Title VIII provided for federal loans to modernize water supply systems. Title IX established a National Board of Water Policy with responsibility to develop federal policies and procedures for water resources development similar to that in the House bill, but with more limited authority to perform studies. Title X provided for a National Commission on Harbor Maintenance, full federal funding for maintenance of harbors 45 feet in depth or less, and 50 percent federal funding for maintaining harbors greater than 45 feet in depth, and empowered nonfederal interests to assess user fees to cover maintenance costs and improvements. The title authorized the Corps to complete any deep-draft harbor projects on which construction had commenced prior to the bill's enactment. It also authorized the Secretary of the Army to guarantee loans or bonds sold to finance deep-draft harbor work. Finally, a number of new construction projects were authorized.

Probably the most controversial sections of S. 1739 were

Titles V (inland waterways) and X (deep-draft ports). In fact, the committee print noted in bold print that Title X was "printed for informational purposes; it remains to be acted upon by the Committee."<sup>28</sup> The idea was to prod the navigation interests to come up with clear, workable alternatives. As Senator Abdnor said during the bill's mark-up, "I think we have been very patient in this. We met with groups constantly . . . I have been waiting for these people to come in. I am not condemning. They claim they have trouble, the users, to get people together. This will make them get together."<sup>29</sup> Senator Stafford scheduled committee oversight hearings for both titles on 24-25 January 1984. Two days of hearings hardly suggested that the committee anticipated major changes in the legislation. Possibly some sort of an amendment could be introduced, but as one committee staff member bluntly put it, "The barge industry at one point is going to have to realize that this is as good a deal as they are going to get."<sup>30</sup>

As with almost all of the water resources bills emanating from Congress, the administration cautiously approached S. 1739. OMB Director Stockman praised the legislation for many "constructive changes in existing programs, notably in the inland navigation program" and expressed interest in the caps the bill put on inland waterway funding. He wrote Abdnor that "the Administration's willingness to accept this concept will depend on the degree to which we conclude that it will lead over time to significantly greater cost sharing with waterways users."<sup>31</sup> One source of

administration unhappiness was that the caps had been raised \$100 million from those Abdnor had proposed the previous March. A senior official commented, "We anticipated more substance. Some of the fruit rotted on the vine."<sup>32</sup> Administration aides were also concerned about some vague portions of the legislation and the bureaucratic apparatus that would be required to administer user-fee and cost-recovery provisions.<sup>33</sup>

While Abdnor refined his bill in the Senate, Congressman Roe was busy with the House Public Works and Transportation Committee. On 3 August, by a vote of 49-0, the committee approved H.R. 3678, which Roe had introduced. The legislation authorized over 150 projects at a cost, according to the committee, of \$12.4 billion. It deauthorized about 325 projects that would have cost about \$11 billion to construct. Like Abdnor's draft, Roe's bill would put a cap on annual Corps construction expenditures, authorize a dam review program, and establish a National Water Resources Policy Board. It also would authorize the Corps to continue its CP&E program for accelerating planning and engineering studies.<sup>34</sup> Although not imposing additional user fees, it did authorize the construction of various deep-draft ports at 100 percent federal cost; establish an inland waterway transportation system, which involved new lock construction; and authorize a number of flood control and shore-protection projects. In addition, the bill authorized a \$35 million environmental project and mitigation fund, and established a National Board on Water Resources Policy to replace the old Water Resources Council. Roe's draft also would

establish a Port Infrastructure Development and Improvements Trust Fund for which up to \$12 billion in customs duties would be appropriated.<sup>35</sup>

While the administration found no lack of defects in the House and Senate bills, it had a more difficult time coming up with an alternative of its own. The reason was partly tactical. One Senate staffer reflected, "They're not going to say anything until the last minute -because they will be beaten over the head by somebody no matter what they say."<sup>36</sup> The fact that 1984 was an election year provided an additional incentive to adopt a reserved attitude. However, clearly the administration did not think the nonfederal cost-sharing levels high enough in either the House or Senate bills, and it opposed both single-purpose water-supply projects and expanded federal responsibility. for nonfederal dam safety. Also, both bills directed the establishment of binding planning standards for water projects instead of the nonbinding Principles and Guidelines that the administration had endorsed.<sup>37</sup> The Roe legislation particularly roused the administration. In one rambling sentence, a 1984 White House "Statement of Administration Policy" dismissed the bill as "the return of the traditional pork barrel approach to water resource programs, authorizing new water resource programs and construction projects for nearly every congressional district and potentially increasing the total Corps of Engineers' budget over 60% for the fiscal year period 1985-1989/\*<sup>38</sup> Unclear about its own position, the administration at

least made its opposition to the House legislation explicit and unequivocal.

Uncertainty about administration policy was only one of many problems facing Roe and Abdnor. An especially knotty issue centered on Baltimore and Norfolk harbors. Senator Warner was livid that Baltimore Harbor would have to pay only 30 percent of the costs to deepen the harbor to 55 feet because the subcommittee considered Baltimore a general cargo harbor. In contrast, since Norfolk was treated as a deep-draft harbor, it would have to pay the full cost of a similar deepening project. Staff members indicated this was done so that the rival ports would pay more or less equal amounts. However, this assessment depended on Norfolk port authorities accepting a cheaper alternative than the one they had supported.<sup>39</sup>

Committees on both sides of the Hill expressed an interest in reviewing parts of the legislation that affected their particular legislative areas. For instance, the Senate Finance Committee, headed by Senator Dole, considered reviewing the inland and deep-draft harbor titles because of the revenue-raising aspects of those two measures. The committee was prompted by agricultural interests concerned that user fees would adversely affect farm income and the competitiveness of American commodities on the international market.<sup>40</sup> The Senate Committee on Energy and Natural Resources wished to review sections dealing with the development of coal slurry pipelines, water resources planning procedures, and mitigation. On the House side, the Merchant



Marine, Interior, and Agriculture committees requested time to review various provisions of H.R. 3678.<sup>41</sup>

Meanwhile, across the country numerous constituencies called for action to initiate needed construction projects and maintenance operations. Appropriations committees in both the House and Senate threatened to report out legislation without waiting for passage of authorization legislation. Indeed, in May 1984, the House Appropriations Committee approved a \$15.5 billion fiscal year 1985 energy and water-development bill. It withheld appropriations for new construction pending action by the House Public Works and Transportation Committee. However, its report warned that the committee "fully intends to revisit the issue of new construction in September 1984,"<sup>42</sup> thereby putting the Public Works Committee on notice to accelerate its schedule. The House quickly approved the appropriations bill.

Senator Abdnor sought compromises to boost chances of legislation clearing Congress. His problems were formidable. Farmers opposed any increase in waterway and harbor user charges. Navigation and coal interests joined forces in an attempt to persuade Abdnor to put these user fees under congressional, not administration, jurisdiction and to exclude fuel-tax revenues from the proposed cap on monies to be used for waterway expenditures. That would allow such revenues to be used to pay part of the cost of new projects. The American Waterways Operators suggested that one-third of new project costs could be funded in this fashion. Waterway interests also pushed for the establishment of a

comprehensive navigation financing plan. At the same time, environmental organizations, especially the Environmental Policy Institute, urged stiff increases in user fees.<sup>43</sup> All these pleas came to naught, however, for by the beginning of April Senator Abdnor had decided not to amend his bill in committee. Rather, amendments would come on the Senate floor. This decision may have resulted from fear of not obtaining committee concurrence, but it probably also showed the influence of Hal Brayman, who was more willing to engage opponents head-on. In any case, it put many lobbying groups on the defensive, for the idea of trying to amend the bill significantly in a bruising floor battle was unappealing, especially since Abdnor's bill was gaining senatorial support. Still, little choice was left. Senate debate on S. 1739 was scheduled for early May.

There was a doomsday approach to waterways legislation in 1984. Tom Skirbunt of the Senate Water Resources Subcommittee staff believed that "prospects for the Army Corps of Engineers as an agency would be severely in jeopardy if in fact this bill [S. 1739] doesn't go forward."<sup>44</sup> Appearing before the American Mining Congress at the beginning of May, Senator Abdnor said, "The opportunity to develop an omnibus water resources act in the [next] Congress will be slim to non-existent. In all probability there will not be another opportunity for an omnibus bill for at least three or four years. . . . We are going to have a water bill this year, or we're not going to have one for many years."<sup>45</sup> He promised to entertain "any reasonable suggestion" for amending S.

1739. "Now is not the time for continued stonewalling. It is a time for a serious evaluation not of what we don't want in a bill, but of what is passable, enactable and workable for everyone."<sup>46</sup>

The erratic fortunes of Abdnor's bill went downhill in May. Instead of being considered on the Senate floor, the bill was taken off the May calendar. First, the Senate leadership decided to continue debate on deficit reduction legislation and extending the debt limit. Then the Finance Committee served notice that it wanted a 30-day referral period to consider Titles V and X. Floor action was delayed until at least June.<sup>47</sup>

On the House side, Congressman Roe faced his own problems. Despite the \$12.7 billion price tag of H.R. 3678, passage seemed assured in the House. The problem was that James Howard, a New Jersey colleague of Roe's and chairman of the Public Works and Transportation Committee, gave priority to consideration of clean water legislation on the House calendar. This threatened to delay consideration of Roe's omnibus water legislation until at least July or August.<sup>48</sup> Moreover, while the House Appropriations Committee may have been worried about the slow pace of Roe's subcommittee, Roe was equally concerned about lack of progress in the Senate. "I am here to lobby you," he told port directors at the beginning of June. "We need you to go to the Senate. We want you to use your influence to get the Senate moving." What Roe feared was that his efforts would be in vain if there was not a Senate bill that could "marry up" to H.R. 3678.<sup>49</sup>

In some ways, the referral of Titles V and X to Senator Robert Packwood's Taxation and Debt Management Subcommittee of the Senate Finance Committee proved a blessing in disguise. The threat of another committee intruding on the domain of the Environment and Public Works Committee moved Senator Stafford and his colleagues to produce compromise legislation that proved vital to the eventual passage of a bill. Packwood's subcommittee was concerned about various provisions. In Title V, the senators debated and generally sought modifications of sections 501-503. These sections authorized the Secretary of the Army to determine navigation expenditure needs and to impose user charges to provide necessary funds, established an advisory Inland Waterways Users Board, and deleted the historic prohibition on "tolls or operating charges." Perhaps prompted by Roe, but surely moved as much by their own constituents, the various navigation and shipping interests began chipping away at these provisions. George R. French, Jr., Vice Chairman of the National Waterways Conference, and Joseph Farrell, President of the American Waterways Operators, joined other shipping advocates in proposing amendments to strip the Secretary of the Army of authority to impose user charges. They urged instead that the Secretary's recommendations be forwarded to the House and Senate revenue committees, the appropriate forums to consider the imposition of new taxes.<sup>50</sup> Farrell said, "AWO has serious reservations about any initiative to delegate taxing authority to the Executive Branch," cleverly playing on the senators' own concerns. "Whether referencing fees, taxes, charges

or tolls, we feel that Section 502 violates the Constitution which confers taxing power upon Congress, a pluralistic body which is the people's branch of government."<sup>51</sup> Farrell's statement echoed the attitude of the lead witness, Senator Hatfield, who objected to the delegation of taxing authority to nonelected officials.

The subcommittee hearings for the first time produced an authoritative administration position on S. 1739. Robert K. Dawson, recently appointed Acting Assistant of the Army for Civil Works, had been Gianelli's principal deputy and before working in the Pentagon had worked on the minority staff of the House Public Works and Transportation Committee. Consequently, he was extremely knowledgeable about both administration politics and the legislative process and knew many key politicians. Appearing before the subcommittee on 5 June, Dawson reinforced the administration's tough approach on financing water projects. The administration fully supported a \$35 million reduction in inland navigation expenditures as called for by Senator Alan K. Simpson of Wyoming. Beyond that, Dawson maintained that the cap should be reduced annually until it reached zero. Also, in contrast to Senator Stafford's interpretation, Dawson maintained that the Inland Waterways Users Board was purely advisory and could not, as Stafford maintained, exercise any control over spending levels or the imposition of user fees.<sup>52</sup>

In the end, Senator Stafford, not formerly heavily involved in the waterways legislation, proposed a compromise that eliminated a proposed cap (\$646 million per year for fiscal years 1986-1999),

dropped the Inland Waterways Users Board, and eliminated the provision giving the Secretary of the Army the authority to impose user fees. However, the draft also required that existing waterway fuel taxes finance the full cost of future inland harbor construction. That section was opposed by senators who feared funding waterway improvements solely from the trust fund. Stafford told the Senate on 28 June, when he introduced his compromise, that he wanted to "hold down the exposure of the taxpayer to new spending" and to develop "the most cost-effective program reasonable."<sup>53</sup> Consequently, he continued, "[I suggest that we release every penny in the Inland Waterway Trust Fund [created in 1978] and dedicate it to finance the full cost of constructing any locks and dam project not now under construction." Of course, Stafford's new activism surprised and pleased water development proponents. The American Waterways Operators stated in its weekly letter, "Many observers view this action as a positive step toward passage -of water resources legislation in the Senate and are pleased that it contains no new taxing or fee authority."<sup>54</sup> On 6 August, Stafford met with Senators Abdnor, Jennings Randolph of West Virginia, and Moynihan, all key leaders, and persuaded his three colleagues to accept his compromise intact. However, eventually Stafford agreed to reduce this cost-recovery measure to the 50 percent level.<sup>55</sup>

As for Title X, the major problem was section 1006, which authorized nonfederal interests to collect fees to cover their share of the cost of harbor construction and maintenance. The

section specified that at least 80 percent of the costs would have to be recovered from the direct beneficiaries. As with Title V, much concern existed both within the Senate and among the shipping interests about granting so much power to local port authorities and governments. Senators Moynihan, Stafford, and Bentsen, all members of the Environment and Public Works Committee, convinced Senator Abdnor to draft a new Title X and to offer it as an amendment during floor debate. Their new title omitted the 80-20 provision and excluded the imposition of harbor fees on vessels with design drafts of 14 feet or less or on vessels engaged in intraport movements. This version still did not satisfy the Finance Committee, which was more sensitive to issues that appeared to challenge congressional prerogatives. The compromise version finally accepted simply authorized nonFederal interests that have funded, constructed, maintained, or funded any harbor project to "submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives proposals and recommendations for legislation which would authorize such non-Federal interests to collect fees for the use of such project by vessels in commercial waterway transportation."<sup>56</sup>

Senator Stafford's actions helped allay concerns of the waterway industry. However, they resulted from compatible objectives rather than from caving in to the navigation interests. For both Congress and navigation interests it was important that revenue policy remain in congressional hands. Navigation interests worried about user fees being imposed by agencies over which they

might have little or no influence: the Secretary of the Army's office and local authorities. Congress reacted strongly to delegating revenue-gathering authority, traditionally a congressional prerogative, to offices outside of the legislative branch. In hindsight, it seems obvious that the original titles were doomed.

In the next month or so, Senator Abdnor was able to garner support for his legislation through some difficult compromises. He won the support of Senator Wallop of Wyoming by agreeing to drop Title XI, which would have established a National Water Policy Board to replace the old Water Resources Council. Working with Senators Moynihan and Randolph, he also engineered a compromise that placated Senator Warner on the difficult equity problem involving the Norfolk and Baltimore ports. Still, some important Senators remained dissatisfied. Senators Packwood and John C. Danforth of Missouri were unhappy about the trust fund providing 100 percent of the construction costs for future lock-and-dam replacements. They put "holds" on the legislation, a move that was nonbinding on the Senate leadership but signaled that floor debate would be extensive and more than likely heated. Several other senators had problems with various elements of S. 1739. One important Democratic senator, J. Bennett Johnston from Louisiana, objected to cost-sharing provisions for flood control work in the lower Mississippi Valley, which since 1928 had been constructed at 100 percent federal expense.<sup>57</sup>

Although Senate Majority Leader Howard Baker had promised in



August that S. 1739 would be considered the following month, he was unable to keep his promise. Instead, there was extended and vituperative debate on numerous appropriations bills that needed to be passed to keep the government running past the 1 October beginning of the new fiscal year. Indeed, by mid-September, it was clear that a continuing resolution would be necessary to fund federal agencies past 1 October. This set the stage for some dramatic and, in the end, futile efforts by water resource proponents to get a water bill passed in the final hours of the 98th Congress.

To understand the drama of these last few hours, one must consider what was happening among the various interest groups and within the House of Representatives. On 29 June, by a vote of 259-33, the House passed H.R. 3678, formally titled the Water Resources Conservation, Development, and Infrastructure Improvement and Rehabilitation Act, which Congressman Roe had introduced in July 1983. It was the last order of business before the House adjourned until 23 July for the Independence Day holiday and the Democratic National Convention. Deliberation had begun on 18 June and amendments began to be added ten days later. Several amendments were fairly noncontroversial. These related to such items as dredge disposal areas for New York and New Jersey, Representative Biaggi's amendment to allow nonfederal interests to impose tonnage duties on vessels entering deep-draft ports in order to recover construction and operation costs, and a Public Works and Transportation Committee amendment to provide nonfederal interests

with a 90 percent federal loan guarantee for their share of port construction costs. Far more troublesome to the Public Works and Transportation Committee was Florida Representative Cliff Shaw's attempt to have the Cross-Florida Barge Canal deauthorized. The project was about 45 percent finished when President Nixon stopped it in 1971. Shaw's amendment was defeated, but by a surprisingly razor-thin vote of 201-204.

The close vote shocked the Public Works Committee, and Congressman Howard worked energetically to see that other amendments were defeated. The first thing the committee did was circulate a list of members' names with black spots next to those whose districts contained projects authorized in the bill but who had voted for Shaw's amendment. The threat was implicit but obvious: Representatives who voted against any part of the bill might see projects in their own districts deleted. "It's so blatant, extraordinarily blatant," said Michigan Representative Harold Wolpe, who received a black spot. "You always hear rumors in the cloakroom that they'll kill your project if you dare to oppose anybody else's, but this is the first time I've ever seen them put it on paper. . . ."<sup>58</sup> Despite outraged protests on the floor, the pressure evidently worked. The next day, Representative Larry J. Hopkins, a Republican from Kentucky, offered an amendment to provide greater federal cost sharing for the Falmouth Dam project in Kentucky; without an increase in federal funding, the state opposed the dam. The amendment, strongly opposed by the Public Works and Transportation Committee leadership--Howard even

threatened to pull the bill from the calendar if the amendment passed --was considered a litmus test of the viability of the cost-sharing provisions in the legislation. Consequently, despite the fact that Kentucky objected to the project in the absence of greater federal contributions, the amendment was defeated.

148-196.<sup>59</sup> Then Representative Cheney of Wyoming offered an amendment to strike Title XII from the bill, which established a National Board on Water Policy. His amendment, which had received administration support, was defeated by voice vote. Meanwhile, Howard made light of his black dot list. "Had we been able to, we'd have put little red hearts on there. But on a Xerox machine it only comes out black, so there are black dots instead."<sup>60</sup>

The most interesting debate centered on Wisconsin Representative Thomas E. Petri's attempt to amend the legislation by requiring local interests to provide up to 50 percent of costs prior to construction of Corps projects and to impose a \$486 million cap on inland waterway expenditures, which would be reduced annually by \$35 million. Similar to Senator Simpson's amendment on the Senate side, Petri's amendment had been coordinated with the administration. On 20 June, OMB Director Stockman, siding with most environmental groups, the National Taxpayers Union, and railroad associations, warned of "budget busting" in H.R. 3678. He estimated that the bill's cost would approach \$18 billion.<sup>61</sup> Specifically, the amendment would require 50 percent up-front contributions for hydropower, 30 percent for general cargo harbors, and 10 percent for flood control. In a letter to Petri, Stockman

warned that he would "unhesitatingly recommend" a veto if the bill were passed in its present form. He believed the bill to be "the type of big-spending, budget-busting bill that undermines confidence in our nation's ability to control spending and reduce the deficit".<sup>62</sup> However, Stockman continued, if Petri's amendments were passed, "the likelihood of a conference being able to produce a bill that I could recommend to the president for signature will be much greater."<sup>63</sup> In fact, however, Stockman's enthusiasm for any bill at this time was negligible. Given the choice of a large bill loaded with projects the administration opposed or a smaller bill that would not prove popular with water developers and many local interests, the administration could gain little from water legislation in an election year. Hal Brayman observed, "The White House wishes the omnibus water bill would go away -- at least until after the election."<sup>64</sup>

While the administration supported Petri because of "budget busting" considerations, environmental groups offered support because they thought that many projects of dubious merit also threatened the environment. "This would take the pork right out of the barrel," Brent Blackwelder of the Environmental Policy Institute said of Petri's amendment. Lynn A. Greenwalt, former Director of the Fish and Wildlife Service, represented the National Wildlife Federation's position. He maintained that the amendment would "protect thousands of miles of rivers, streams and coastline comprising valuable wildlife habitat."<sup>65</sup>

Despite the formidable alliance in favor of the Petri

amendment, within the House the amendment received little support, partly because of the heavy-handedness of the House Public Works Committee. Eighteen representatives, including Congressmen Roe and Biaggi, spoke against it. Only five spoke on its behalf--Representatives Bob Edgar, Silvio O. Conte, Claudine Schneider, Berkley Bedell, and Bill Frenzel. In the end, the amendment was defeated, 85-213. Following this vote, the House passed the 320-page bill.<sup>66</sup> H.R. 3678 would authorize 258 projects at an estimated cost of \$14.3 billion, a new water supply loan program, a national water policy board, and a port trust fund. It also contained a number of provisions relating to fish and wildlife mitigation and to a \$20-million-a-year grant program to states for water programs. It would deauthorize numerous projects and provide for 100 percent federal construction funding for general cargo<sup>67</sup> ports and deep-draft ports up to 45 feet in depth. Funding to increase depths beyond 45 feet would be divided evenly between federal and nonfederal interests.

With the passage of H.R. 3678 and the emergence of compromises on the Senate side, prospects seemed brighter than in years for passage of a bill. Water project developers, long frustrated by the long debate over water resources legislation, decided to united in advancing chances of an act being passed. Leading the push was the Associated General Contractors (AGC), which in mid-1984 organized a broad-based "84 Water Resources Action Coalition" of 57 members, ranging from local political entities to national organizations. Actually, the coalition emerged from an AGC

infrastructure group that for some time had been examining the pressing public works needs of the country, including water resources projects. The only notable groups not involved were environmental organizations and federal agencies. The coalition urged Senator Baker to schedule floor debate on S. 1739 at the earliest possible moment.<sup>68</sup> Besides lobbying Congress, the coalition attempted to muster support from the various states. It sent each state information on what the Senate bill contained for that state.<sup>69</sup> Representatives from different groups in the coalition began to meet all around Washington to, in the words of one representative, "resolve differences between the large and small ports over user fees, cost-sharing, and other issues to provide impetus to push the bill through the Senate."<sup>70</sup> Susan Loomis, Associate Director for Congressional Relations for the AGC, noted that many groups in the coalition had agendas that were not always compatible. The one unifying factor was that everyone wanted a water bill. The coalition fostered communications among a large number of varied interests and, according to Loomis, "people kept coming back to meet, even if they didn't agree with what everyone else was saying, because we had to find out what was happening."<sup>71</sup>

In the last month of the 98th Congress, "what was happening" bordered on havoc.<sup>72</sup> The "holds" put on S. 1739 by Senators Danforth and Packwood, plus Senator Johnston's unhappiness with the bill's cost-sharing provisions, might have doomed the legislation in any case in the 98th Congress. However, congressional

preoccupation with passage of a continuing resolution, and the intransigence of David Stockman, all but precluded passage of a major water bill. On the House side, Congressman Tom Bevill of the Appropriations Committee attached to the continuing resolution a bill providing \$119 million for 43 new construction starts, including 20 not yet authorized. The bill, H.R. 3958, had passed the House in October 1983, but had not moved forward pending progress on Roe's bill. In the Rules Committee, Roe asked for a "rule" allowing the House to add his bill, H.R. 3678, to the continuing resolution. The Rules Committee refused, so Roe took his case to the House floor, where he won. On 25 September, the House voted, 336-64, to add H.R. 3678 to the continuing resolution, the second time that year that the House had approved the water bill. The amended resolution then went to the Senate.

By the time the legislation reached the Senate, Senator Hatfield, chairman of the Senate Appropriations Committee, had begun marking up a resolution that would, among other things, authorize three Bureau of Reclamation and 23 Corps of Engineers projects, including a second chamber at Lock and Dam 26, a new lock at Gallipolis on the Ohio River, and a replacement lock at Bonneville Dam on the Columbia. Money was also provided for deep-water projects at Baltimore, Norfolk, Mobile, and New Orleans-Baton Rouge.

When the continuing resolution reached the Senate floor, civil rights advocates tried to attach an amendment that would overturn a Supreme Court ruling on sex discrimination involving women

athletes at Grove City College. That effort resulted in a deluge of amendments involving school busing, gun control, and other issues. One senator said he was prepared to offer 1,300 amendments. The confusing floor debate ensured that the Senate would not pass a continuing resolution before the start of the new fiscal year. However, the senators did agree to consider 35 amendments to the House version of the continuing resolution, including several that had been attached to the Senate version. Senator Abdnor succeeded in getting S. 1739 scheduled as amendment number 35.

The Senate worked until 2:38 a.m. on 3 October, reconvened at 11:00 a.m., and remained in session until 9:32 a.m. on 4 October, the date that Congress had intended to adjourn. About 6 a.m. on Thursday, the Abdnor bill reached the Senate floor. Senator Abdnor reviewed the evolution of the legislation and urged the Senate to adopt it. "This represents four years of meetings, working, discussions and talking back and forth," he said. "We think we have finally come close to a solution. We have tried to walk a tightrope between the demands of the Administration as well as the environmental and taxpayer groups for still more cost sharing and the demands of project supporters for no additional cost sharing at all. That is quite a problem." He said the main problem with the Bevill/Hatfield new starts amendment was that it contained no policy. If enacted, he maintained, "then kiss the future of cost sharing goodbye." Senator Moynihan also spoke in support of S. 1739. He said that the bill should be considered "out of respect"



for the authorization process. These concerns for government policy and Senate procedures, however, became inconsequential after Senator Baker suggested that the only real issue was how germane the Abdnor bill was to an appropriation measure. He thought it was not, and in the ensuing vote the Senate agreed, 60-36.

In anticipation of a conference committee to reconcile differences between the House and Senate versions of a continuing resolution, Senator Abdnor and Representative Roe had initiated negotiations over their water bills during the last week of the congressional session. While no water bill was passed, their negotiations led to important agreements that carried over into the next year. Their staffs first met on Sunday, 30 September. Abdnor's aides offered to accept Roe's shallow-draft provisions if the House accepted the Senate's deep-draft navigation section. Abdnor signaled his willingness to use the Inland Waterways Trust Fund to finance only 33 percent of new waterways projects rather than the 100 percent that Stafford had wished. In return, he wanted Roe to agree that ports between 20 and 45 feet in depth would have to pay for 30 percent of new construction costs, instead of such costs being borne by the federal government. Maintenance would be capped at \$420 million annually: Roe's bill had kept maintenance for ports up to 45 feet in depth a full federal responsibility. Also, while H.R. 3678 had fixed nonfederal costs for harbors over 45 feet in depth at 50 percent, Abdnor wanted to make that percentage a minimum. Under certain conditions, ports might have to pay full costs. While these proposals were probably

negotiable, Abdnor's proposal contained one item that Roe's aides knew their boss would find truly objectionable. That was to give up the Port Infrastructure Development and Improvement Trust Fund, which would be financed by appropriating general revenues equal to customs collections at seaports up to a maximum of \$2 billion annually. The compromise foundered on this item.

A meeting between Roe and Abdnor scheduled for the next day was canceled at the last moment. Senator Abdnor then asked Roe to make a counterproposal. From 10 p.m. on Tuesday, 2 October, until 2 a.m., Abdnor and Moynihan met with Roe and the ranking minority member on the House subcommittee, Arlan Stangeland from Minnesota. The four men agreed "in principle" on several key issues. One-third of the cost of new lock and dam projects would come from the Inland Waterways Trust Fund. General cargo ports would have to pay 20 percent of new construction costs, but lands, easements, and rights of way would count toward the 20 percent. Ports over 45 feet in depth would have a choice. They could either accept 100 percent nonfederal funding with low-cost federal loan guarantees available for up to 90 percent of project costs, or they could accept 50 percent nonfederal financing with no loan guarantees and one-half of the local share advanced during construction and the remainder paid over 30 years. Ports could collect user fees only from vessels requiring depths greater than 45 feet. For flood control projects, nonfederal interests would have to pay 25 percent, including 5 percent in cash during construction.

Senator Abdnor referred to these negotiations during debate in

the Senate. "Maybe we are the first committee to ever start meeting with the House side in conference before we passed a bill, but I thought were so many miles apart that we could never get together." Then, with a gesture, he added, "I am here to tell you that we are only that far apart from coming together with a very fine bill."

A few hours after turning down the Abdnor amendment, the Senate passed its version of the continuing resolution. That evening, 4 October, House and Senate conferees agreed on several matters, including the Bevill/Hatfield new-starts provisions. A conference subcommittee selected 49 water projects, including 19 that were unauthorized, with an estimated first-year cost of \$98 million, of which about one-fifth was to come from the Inland Waterways Trust Fund. The estimate was under the administration goal of \$100 million, and Secretary of the Interior William P. Clark signaled acceptance. The conference could not agree on the Roe bill and turned its attention to an entirely different subject, military aid to Central America. The water controversy remained unresolved the next day, forcing Congress to adjourn for Yom Kippur and the Columbus Day holiday with the continuing resolution still in conference.

Had the continuing resolution been passed on Friday, 5 October, the Bevill/Hatfield new starts provisions probably would have survived, but events over the weekend evidently changed the President's position. First, OMB Director Stockman worked to torpedo the compromise. In the words of Tom Skirbunt, "Stockman

played nuclear war and he went to the White House and he got the President to agree that he would, in fact, veto the continuing resolution if it contained one water project."<sup>73</sup> According to the Washington Post, Stockman "argued strongly that Reagan should ignore the measure if the water projects remain attached because the bill would ignore 3 years of effort by the Administration to alter the way water projects are financed."<sup>74</sup> While some presidential advisors, evidently including the Secretary of the Interior, thought that President Reagan should sign the measure in exchange for an agreement on continuing aid to the Nicaraguan rebel forces, Stockman's position carried the day at the White House. Stockman did not reject water projects outright, but he insisted on coupling any appropriations with major changes in policy. Thus, the administration supported three Bureau of Reclamation projects in the bill that had also been included in the President's fiscal year 1985 budget. The White House also favored a number of previously authorized Corps of Engineers projects, but only if the administration's water policy reforms and user fees were accepted as outlined in the President's letter to Senator Laxalt.<sup>75</sup> Of course, in the last gasps of the congressional session, it was unlikely that Congress and the administration could reach a compromise on these major policy shifts.

While Stockman's influence may have been decisive, another factor affecting the President's judgment was his relatively poor showing in a TV debate with his presidential opponent Walter Mondale over the Columbus Day weekend. Mondale put Reagan on the

defensive on the issue of big spending, and Reagan certainly did not wish to be accused of approving supposed congressional extravagance. In any case, he instructed Stockman to send a "strong veto signal" to Congress if the policy and financing reforms were not included. Consequently, the budget director sent Hatfield and Whitten identical letters: "If we were to permit the approximately \$6 billion worth of new projects in the tentative conference agreement to go forward, any future effort at reform would be virtually meaningless. We must accordingly take strong exception to the inclusion of any appropriations to initiate construction starts." Stockman objected to both authorization and appropriation measures for water projects in the conference committee. "The presence of either of these items in the final conference agreement," he wrote, "would cause the President's senior advisors to recommend that he disapprove the bill."

When Congress reconvened on 9 October, James A. Baker, the White House chief of staff, warned House Speaker Thomas P. (Tip) O'Neill that the President would veto the continuing resolution if it contained any water project authorizations or appropriations. The Speaker, fearing a veto would be blamed on House Democrats, pressured Congressman Jamie L. Whitten, chairman of the House Appropriations Committee, and Bevill to delete the water projects. They agreed to do so. Both Roe's bill and the Bevill/Hatfield amendment were eliminated for political reasons.

Somewhat surprisingly, the man who objected most strenuously to Stockman's maneuvers was Republican Senator Hatfield. For about

a day he resisted the House decision to drop all water projects from the continuing resolution and accused the House Democrats of "caving in" to the White House. As for the administration, he accused it of singling out domestic water projects for the ax while displaying "no limitation in their lust" for higher military spending. He worked all day on 10 October for a compromise, but the White House resisted. Finally, Hatfield asked M.B. Oglesby, Assistant to the President for Legislative Affairs, to tell him what cost-sharing formulas the White House might find acceptable in order to break the logjam on projects.

In response, Hatfield received a one-page outline specifying stiff user charge requirements. There would be a statutory cap of \$500 million annually, including outlays from the Inland Waterways Trust Fund, on federal obligations for inland navigation projects. The Secretary of the Army would be authorized to impose user fees. Local interests would have to pay 30 percent of the costs for port projects up to 45 feet in depth and 75 percent for those over 45 feet, with no federal loan guarantees. A statutory cap of \$250 million annually on maintenance of deep-draft channels would be imposed. Other cost-sharing items were to reflect the percentages presented in the Abdnor bill.

These demands fell well short of anything that could be negotiated, and Senator Hatfield was enraged. He reluctantly agreed to the House move to delete all water projects from the continuing resolution, but he felt betrayed by Stockman. He called the director "an eye-shade accountant . . . who takes everything

from purely the dollars and cents and who does not look at benefit/cost ratios, capital investments and their returns." Stockman, Hatfield said in a Portland, Oregon, speech, comes "from a school of economics that doesn't exist . . . the basic thesis is that any non-military expenditures create a deficit and all military spending does not create a deficit." He concluded that a paralysis of government exists when dealing with water projects. The bitterness between Hatfield and Stockman was to last into the next year, and the entire debacle estranged the administration from the Senate Republican leadership.<sup>76</sup>

Within less than a month, then, prospects for water project legislation changed from optimistic predictions of quick passage to gloomy concerns over the impasse between the White House and the Republican Senate leadership. However, both Roe and Abdnor pledged to continue the fight into the 99th Congress. Shortly before midnight on 10 October, Congressman Roe thanked his colleagues for their support and eloquently quoted, "For all sad words of tongue or pen, the saddest of these: It might have been."

## NOTES

1. "Statement of Alice M. Rivlin, Director, Congressional Budget Office, Before the Committee on Environment and Public Works, Subcommittee on Water Resources, United States Senate," 18 May 1983. Photocopy in WRDA-86 files, OH, HQ USACE.
2. Transcript, Tofani interview.
3. Transcript, interview with Joan Kovalic, 14 January 1988, p. 15.
4. Ibid., p. 17.
5. Ibid., p. 20.
6. Washinaton Watch, I March 1983, p. 1.
7. Gianelli interview, pp. 4-5, OH, HQ USACE.
8. "Remarks by the Honorable William R. Gianelli, Assistant Secretary of the Army (Civil Works) At the 1983 Division Commanders\* Conference," Washington, DC, 11 May 1983, Gianelli files, OH, HQ USACE; Washinaton Watch, 1 March 1983, p. 7.
9. Gianelli speech, 11 May 1983, OH, HQ USACE; Newsletter, 3 June 1983, p. 1.
10. Memorandum for the President from James G. Watt, 9 June 1983 (copy) [ Don B. Cluff papers, WRDA-86 files, OH, HQ USACE.
11. Don Cluff to Don Crabill and Fred Khedouri, OMB, 15 June 1983, subj: Gianelli Cost Sharing Testimony (copy), Cluff papers, WRDA-86 files, OH, HQ USACE.
12. NWC Newsletter, 3 June 1983, p. 1.
13. Ibid., p. 3.
14. William Gianelli to Senator James Abdnor, 26 July 1983, photocopy in Gianelli files, OH, HQ USACE.
15. President Ronald Reagan to Senator Paul Laxalt, 24 January 1984, reprinted in U.S., Congress, House, Committee on Appropriations, Subcommittee on Energy and Water Development, Enerav and Water Development Appropriations for 1985, part I, 98th Cong., 2d sess., 1984, pp. 205-208.



16. Notes of an interview with Don Cluff, Chief, Programs Division, Civil Works Directorate, HQ, USACE (during the early 1980s, Cluff worked for OMB); transcript, Arnold interview, pp. 53-55.
17. Transcript, Arnold interview, pp. 14-27.
18. David Stockman to Senators Hatfield and Warner (identical letters), n.d., reprinted in Conaressional Record, 98th Cong., vol. 129, part 5, 21 March 1983, pp. 6231-32.
19. Ibid.
20. Ibid.: Don Cluff, '@Congressional/Executive Negotiations as Viewed from the Executive Branch of Government: A Case Study," pp. 4-5 (draft manuscript), Cluff papers, WRDA-86 files, OH, HQ USACE.
21. Transcript, Arnold interview, pp. 16-18.
22. Ibid., pp. 20-27; transcript, interview with Erik Stromberg, President, American Association of Port Authorities, Alexandria, Virginia, 22 February 1988, pp. 6-9, OH, HQ USACE.
23. Transcript, Arnold interview, pp. 27-29.
24. Ibid., p. 16.
25. Ibid., pp. 32-40.
26. American Waterways Operators (AWO) Weekly Letter, 1 July 1983.
27. William Lally, "Senate Committee Passes Dredging Cost-Sharing Plan," Baltimore News American, 9 November 1983.
28. [Committee Print], s. 1739, 7 November 1983, 98th Cong., 1st sess., p. 112.
29. NWC Newsletter, 16 December 1983, p. 2.
30. U.S. Congress, Environmental and Energy Study Conference, Fact Sheet, 18 January 1984, p. 7.
31. Stockman to Senator Stafford, 21 September 1983, and Stockman to Senator Abdnor, 7 October 1983, both quoted in Washington Watch, 16 December 1983.
32. Quoted in *ibid.*
33. Ibid.
34. Interstate Conference on Water Problems (ICWP), Washinaton Report 2, no. 8 (August 1983).

35. AWO Weekly Letter, 5 August 1983.
36. Environmental and Energy Study Conference, Fact Sheet, 18 January 1984, p. 2.
37. Ibid.; Robert F. Morison, "Congress, Reagan Team Closer on Port Development Program," New York Journal of Commerce, 11 January 1984. Even though the Principles and Guidelines were nonbinding, the Corps of Engineers had integrated them into its own regulations and had adhered to them ever since they had been introduced.
38. Executive Office of the President, Statement of Administration Policy, "H.R. 3678 -- Water Resources Conservation Development and Infrastructure Improvement and Rehabilitation Act of 1983," printed and circulated to Congress on 15 June 1984 (prior to House debate on the legislation). Cluff papers, WRDA-86 files, OH, HQ USACE.
39. Environmental and Energy Study Conference, Fact Sheet, p. 8.
40. Newsletter, 16 December 1983, p. 5.
41. Environmental and Energy Study Conference, Fact Sheet, 18 January 1984, p. 4.
42. AWO Weekly Letter, 18 May 1984.
43. Washington Watch, 10 February 1984, pp. 4-5; Washington Watch, 6 April 1984, pp. 3-4.
44. Washington Watch, 6 April 1984, p. 7.
45. Ibid., 11 May 1984, p. 7.
46. Ibid.
47. Ibid., 11 May 1984, p. 1.
48. Ibid., p. 2.
49. Ibid., 6 April 1984, p. 2.
50. Ibid., 23 July 1984, pp. 2-3.
51. AWO Weekly Letter, 8 June 1984.
52. Ibid.
53. Washington Watch, 17 August 1984, p. 1.
54. Western Resources Wrap-Up, XXII, no. 30 (26 July 1984).

55. Washington Watch, 23 July 1984, p. 1, and 17 August 1984, p. 5; Senate bill 1567 (rewritten S. 1739), 1 August 1985.
56. S. 1739, 98th Cong., 2d sess., Star Print, May 1984, p. 177.
57. Washington Watch, 19 October 1984, p. 2.
58. Quoted in T.R. Reid, "House Mutiny on Water Projects," Washington Post, 30 June 1984; see also, McCool, Command of the Waters, p. 213.
59. AWO Weekly Letter, 7 July 1984; Washington Watch, 23 July 1984, p. 5; Reid, "House Mutiny on Water Projects," Washington Post, 30 June 1984.
60. Reid, "House Mutiny on Water Projects," Washington Post, 30 June 1984.
61. AWO Weekly Letter, 7 July 1984; Dale Russakoff, "Water Bill Fought By Unlikely Allies," Washington Post, 21 June 1984.
62. Quoted in Russakoff, "Unlikely Allies."
63. Quoted in *ibid.*
64. Quoted in Western Resources Wrap-Up, series XXII, No. 30, 26 July 1984.
65. Quoted in Russakoff, "Unlikely Allies".
66. AWO Weekly Letter, 7 July 1984.
67. The terms "general cargo" and "commercial cargo" were constant sources of confusion as their definitions changed to accommodate political desires. The more specific term "commercial cargo" was applied to cargo transported in commercial vessels, including passengers transported for compensation or hire. However, even here some exceptions found their way into WRDA-86.
68. Washington Watch, 23 July 1984, p. 5.
69. Western Resources Wrap-Up, XXII, no. 29 (23 July 1984).
70. Quoted in *ibid.*
71. Transcript, interview with Susan Loomis, 13 January 1988, p. 19, OH, HQ USACE.
72. Except as other noted, the following description of activities surrounding water legislation and the continuing resolution, including the quotations, comes from Washington Watch, 19 October 1984, pp. 2-7.

73. Skirbunt interview, p. 38.

74. Quoted in Washington Watch, 19 October 1984, p. 6.

75. James A. Baker III, White House Chief of Staff, to Secretary of the Interior William Clark, 6 October 1984 (copy), Cluff papers, WRDA-86 files, OH, HQ USACE; Clark to Baker, 6 October 1984 (copy), Cluff papers, WRDA-86 files, OH, HQ USACE.

76. Arnold interview, pp. 42-43; transcript, interview with Randall Davis by Martin Reuss, 23 February 1988, p. 8. Davis was OMB Associate Director for Natural Resources, Energy and Science from 1 April 1985 to 1 March 1987.